



ANNUAL STATEMENT

For the Year Ended December 31, 2012
of the Condition and Affairs of the

HMO Partners, Inc

NAIC Group Code.....876, 876
(Current Period) (Prior Period)

NAIC Company Code..... 95442

Employer's ID Number..... 71-0747497

Organized under the Laws of Arkansas

State of Domicile or Port of Entry Arkansas

Country of Domicile US

Licensed as Business Type.....Health Maintenance Organization

Is HMO Federally Qualified? Yes [X] No []

Incorporated/Organized..... November 8, 1993

Commenced Business..... January 1, 1994

Statutory Home Office

320 West Capitol..... Little Rock AR US 72203-8069
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office

320 West Capitol..... Little Rock AR US 72203-8069
(Street and Number) (City or Town, State and Zip Code)

501-221-1800
(Area Code) (Telephone Number)

Mail Address

320 West Capitol..... Little Rock AR US 72203-8069
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records

601 S. Gaines..... Little Rock AR US 72201
(Street and Number) (City or Town, State and Zip Code)

501-378-2000
(Area Code) (Telephone Number)

Internet Web Site Address

healthadvantage-hmo.com

Statutory Statement Contact

Scott Bradley Winter
(Name)

501-399-3951
(Area Code) (Telephone Number) (Extension)

sbwinter@arkbluecross.com
(E-Mail Address)

501-378-3258
(Fax Number)

OFFICERS

| Name | Title | Name | Title |
|-------------------------|---------------------|------------------------|--------------------|
| 1. David Frank Bridges | President | 2. Gray Donald Dillard | Vice President/CFO |
| 3. Scott Bradley Winter | Assistant Treasurer | 4. Kathleen O'Dea Ryan | Vice President |

OTHER

| | | | |
|-------------------------------|---------------------|------------------------------|---------------------|
| James Sterling Adamson Jr. MD | Chairman | Robert Cecil Roberts | Vice Chairman |
| Russell Doyne Harrington Jr. | Secretary | Gray Donald Dillard | Treasurer |
| Clement Wade Fox MD | Assistant Secretary | John Charles Glassford Jr. # | Assistant Secretary |

DIRECTORS OR TRUSTEES

| | | | |
|-------------------------------|------------------------------|------------------------------|-------------------------|
| James Sterling Adamson Jr. MD | Sharon Kay Allen | Richard Allen Calhoun Jr. MD | David Warren Cobb R.PH. |
| Richard Loyd Gore DDS | Russell Doyne Harrington Jr. | Nikita Jean Wilson RN | Sherman Ellis Tate |
| Robert Cecil Roberts | Michael David Voss | Paul Mark White | James Robert Bailey |
| David Frank Bridges | Michael Wayne Brown | James Bruce Hazlewood MD | Merlin Moody Hagan |
| Clement Wade Fox MD | Robert Lee Trammel | Thomas Matthew Kovalski MD # | Jim Loyd English MD |
| John Charles Glassford Jr. | | | |

State of..... Arkansas
County of..... Pulaski

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)
David Frank Bridges

1. (Printed Name)
President

(Title)

(Signature)
Gray Donald Dillard

2. (Printed Name)
Vice President/CFO

(Title)

(Signature)
Scott Bradley Winter

3. (Printed Name)
Assistant Treasurer

(Title)

Subscribed and sworn to before me

This _____ day of _____ 2013

a. Is this an original filing? Yes [X] No []

b. If no

1. State the amendment number _____

2. Date filed _____

3. Number of pages attached _____

ASSETS

| | Current Year | | | Prior Year |
|---|--------------|--------------------|-----------------------------------|---------------------|
| | 1 | 2 | 3 | 4 |
| | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D)..... | 62,272,015 | | 62,272,015 | 56,553,170 |
| 2. Stocks (Schedule D): | | | | |
| 2.1 Preferred stocks..... | | | 0 | |
| 2.2 Common stocks..... | 23,098,869 | | 23,098,869 | 22,046,615 |
| 3. Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 First liens..... | | | 0 | |
| 3.2 Other than first liens..... | | | 0 | |
| 4. Real estate (Schedule A): | | | | |
| 4.1 Properties occupied by the company (less \$.....0 encumbrances)..... | | | 0 | |
| 4.2 Properties held for the production of income (less \$.....0 encumbrances)..... | | | 0 | |
| 4.3 Properties held for sale (less \$.....0 encumbrances)..... | | | 0 | |
| 5. Cash (\$.....13,326,960, Schedule E-Part 1), cash equivalents (\$.....0, Schedule E-Part 2) and short-term investments (\$.....39,843,706, Schedule DA)..... | 53,170,666 | | 53,170,666 | 40,971,713 |
| 6. Contract loans (including \$.....0 premium notes)..... | | | 0 | |
| 7. Derivatives (Schedule DB)..... | | | 0 | |
| 8. Other invested assets (Schedule BA)..... | | | 0 | |
| 9. Receivables for securities..... | | | 0 | |
| 10. Securities lending reinvested collateral assets (Schedule DL)..... | | | 0 | |
| 11. Aggregate write-ins for invested assets..... | 0 | 0 | 0 | 0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11)..... | 138,541,550 | 0 | 138,541,550 | 119,571,498 |
| 13. Title plants less \$.....0 charged off (for Title insurers only)..... | | | 0 | |
| 14. Investment income due and accrued..... | 653,204 | | 653,204 | 627,965 |
| 15. Premiums and considerations: | | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection..... | | | 0 | 1,868,506 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)..... | | | 0 | |
| 15.3 Accrued retrospective premiums..... | 2,793,620 | 152,038 | 2,641,582 | |
| 16. Reinsurance: | | | | |
| 16.1 Amounts recoverable from reinsurers..... | | | 0 | 148,069 |
| 16.2 Funds held by or deposited with reinsured companies..... | | | 0 | |
| 16.3 Other amounts receivable under reinsurance contracts..... | | | 0 | |
| 17. Amounts receivable relating to uninsured plans..... | 2,836,256 | 97,268 | 2,738,988 | 17,993,330 |
| 18.1 Current federal and foreign income tax recoverable and interest thereon..... | 235,535 | | 235,535 | 2,131,991 |
| 18.2 Net deferred tax asset..... | 809,112 | 809,112 | 0 | |
| 19. Guaranty funds receivable or on deposit..... | | | 0 | |
| 20. Electronic data processing equipment and software..... | | | 0 | |
| 21. Furniture and equipment, including health care delivery assets (\$.....0)..... | | | 0 | |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates..... | | | 0 | |
| 23. Receivables from parent, subsidiaries and affiliates..... | 80,002 | | 80,002 | 40,003 |
| 24. Health care (\$.....865,206) and other amounts receivable..... | 1,344,225 | 475,460 | 868,765 | 1,139,413 |
| 25. Aggregate write-ins for other than invested assets..... | 2,277,669 | 0 | 2,277,669 | 2,488,217 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)..... | 149,571,173 | 1,533,878 | 148,037,295 | 146,008,992 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | | 0 | |
| 28. TOTALS (Lines 26 and 27)..... | 149,571,173 | 1,533,878 | 148,037,295 | 146,008,992 |

| DETAILS OF WRITE-INS | | | | |
|--|-----------|---|-----------|-----------|
| 1101. | | | 0 | |
| 1102. | | | 0 | |
| 1103. | | | 0 | |
| 1198. Summary of remaining write-ins for Line 11 from overflow page..... | 0 | 0 | 0 | 0 |
| 1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)..... | 0 | 0 | 0 | 0 |
| 2501. Supplemental Savings Plan..... | 2,277,669 | | 2,277,669 | 2,488,217 |
| 2502. | | | 0 | |
| 2503. | | | 0 | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0 | 0 | 0 | 0 |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)..... | 2,277,669 | 0 | 2,277,669 | 2,488,217 |

LIABILITIES, CAPITAL AND SURPLUS

| | Current Period | | | Prior Year |
|---|----------------|----------------|-------------|-------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. Claims unpaid (less \$.....5,917,994 reinsurance ceded)..... | 16,639,177 | | 16,639,177 | 20,416,210 |
| 2. Accrued medical incentive pool and bonus amounts..... | | | 0 | |
| 3. Unpaid claims adjustment expenses..... | 920,710 | | 920,710 | 791,986 |
| 4. Aggregate health policy reserves, including the liability of \$.....0 for medical loss ratio rebate per the Public Health Service Act..... | | | 0 | |
| 5. Aggregate life policy reserves..... | | | 0 | |
| 6. Property/casualty unearned premium reserve..... | | | 0 | |
| 7. Aggregate health claim reserves..... | | | 0 | |
| 8. Premiums received in advance..... | 2,000,810 | | 2,000,810 | 2,873,366 |
| 9. General expenses due or accrued..... | 1,520,065 | | 1,520,065 | 126,992 |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))..... | | | 0 | |
| 10.2 Net deferred tax liability..... | 1,959,610 | | 1,959,610 | 1,720,983 |
| 11. Ceded reinsurance premiums payable..... | 180,187 | | 180,187 | 183,363 |
| 12. Amounts withheld or retained for the account of others..... | 4,673,378 | | 4,673,378 | 5,359,714 |
| 13. Remittances and items not allocated..... | 67,840 | | 67,840 | 309,920 |
| 14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)..... | | | 0 | |
| 15. Amounts due to parent, subsidiaries and affiliates..... | 7,789,633 | | 7,789,633 | 6,790,772 |
| 16. Derivatives..... | | | 0 | |
| 17. Payable for securities..... | | | 0 | |
| 18. Payable for securities lending..... | | | 0 | |
| 19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers)..... | | | 0 | |
| 20. Reinsurance in unauthorized and certified (\$.....0) companies..... | | | 0 | |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates..... | | | 0 | |
| 22. Liability for amounts held under uninsured plans..... | 2,772,741 | | 2,772,741 | 5,029,368 |
| 23. Aggregate write-ins for other liabilities (including \$.....0 current)..... | 171,536 | 0 | 171,536 | 401,791 |
| 24. Total liabilities (Lines 1 to 23)..... | 38,695,687 | 0 | 38,695,687 | 44,004,465 |
| 25. Aggregate write-ins for special surplus funds..... | XXX | XXX | 0 | 0 |
| 26. Common capital stock..... | XXX | XXX | 10,000 | 10,000 |
| 27. Preferred capital stock..... | XXX | XXX | | |
| 28. Gross paid in and contributed surplus..... | XXX | XXX | 1,919,153 | 1,919,153 |
| 29. Surplus notes..... | XXX | XXX | | |
| 30. Aggregate write-ins for other than special surplus funds..... | XXX | XXX | 0 | 0 |
| 31. Unassigned funds (surplus)..... | XXX | XXX | 107,412,455 | 100,075,374 |
| 32. Less treasury stock at cost: | | | | |
| 32.1 .....0.000 shares common (value included in Line 26 \$.....0)..... | XXX | XXX | | |
| 32.2 .....0.000 shares preferred (value included in Line 27 \$.....0)..... | XXX | XXX | | |
| 33. Total capital and surplus (Lines 25 to 31 minus Line 32)..... | XXX | XXX | 109,341,608 | 102,004,527 |
| 34. Total liabilities, capital and surplus (Lines 24 and 33)..... | XXX | XXX | 148,037,295 | 146,008,992 |

DETAILS OF WRITE-INS

| | | | | |
|--|---------|-----|---------|---------|
| 2301. Unclaimed property..... | 142,417 | | 142,417 | 152,862 |
| 2302. Miscellaneous payables..... | 29,119 | | 29,119 | 248,929 |
| 2303. | | | 0 | |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | 0 | 0 | 0 | 0 |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)..... | 171,536 | 0 | 171,536 | 401,791 |
| 2501. | XXX | XXX | | |
| 2502. | XXX | XXX | | |
| 2503. | XXX | XXX | | |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | XXX | XXX | 0 | 0 |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)..... | XXX | XXX | 0 | 0 |
| 3001. | XXX | XXX | | |
| 3002. | XXX | XXX | | |
| 3003. | XXX | XXX | | |
| 3098. Summary of remaining write-ins for Line 30 from overflow page..... | XXX | XXX | 0 | 0 |
| 3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)..... | XXX | XXX | 0 | 0 |

STATEMENT OF REVENUE AND EXPENSES

| | Current Year | | Prior Year |
|---|----------------|-------------|-------------|
| | 1 Uncovered | 2 Total | 3 Total |
| 1. Member months..... | XXX..... | 532,266 | 549,064 |
| 2. Net premium income (including \$.....0 non-health premium income)..... | XXX..... | 143,168,298 | 143,801,757 |
| 3. Change in unearned premium reserves and reserve for rate credits..... | XXX..... | | |
| 4. Fee-for-service (net of \$.....0 medical expenses)..... | XXX..... | | |
| 5. Risk revenue..... | XXX..... | | |
| 6. Aggregate write-ins for other health care related revenues..... | XXX..... | 0 | 0 |
| 7. Aggregate write-ins for other non-health revenues..... | XXX..... | 0 | 0 |
| 8. Total revenues (Lines 2 to 7)..... | XXX..... | 143,168,298 | 143,801,757 |
| Hospital and Medical: | | | |
| 9. Hospital/medical benefits..... | | 116,088,044 | 118,631,694 |
| 10. Other professional services..... | | | |
| 11. Outside referrals..... | | 2,110,736 | 2,660,618 |
| 12. Emergency room and out-of-area..... | | 26,005,707 | 12,592,975 |
| 13. Prescription drugs..... | | 41,922,543 | 37,487,654 |
| 14. Aggregate write-ins for other hospital and medical.....0 | | 0 | 0 |
| 15. Incentive pool, withhold adjustments and bonus amounts..... | | (4,681,495) | |
| 16. Subtotal (Lines 9 to 15)..... | 0 | 181,445,535 | 171,372,941 |
| Less: | | | |
| 17. Net reinsurance recoveries..... | | 63,290,806 | 55,674,812 |
| 18. Total hospital and medical (Lines 16 minus 17).....0 | | 118,154,729 | 115,698,129 |
| 19. Non-health claims (net)..... | | | |
| 20. Claims adjustment expenses, including \$.....2,024,619 cost containment expenses..... | | 3,782,929 | 4,065,181 |
| 21. General administrative expenses..... | | 12,944,562 | 14,033,271 |
| 22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only)..... | | | |
| 23. Total underwriting deductions (Lines 18 through 22).....0 | | 134,882,220 | 133,796,581 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23).....XXX..... | | 8,286,078 | 10,005,176 |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17)..... | | 2,221,468 | 2,333,353 |
| 26. Net realized capital gains or (losses) less capital gains tax of \$.....149,331..... | | 907,286 | 594,492 |
| 27. Net investment gains or (losses) (Lines 25 plus 26).....0 | | 3,128,754 | 2,927,845 |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]..... | | | |
| 29. Aggregate write-ins for other income or expenses.....0 | | 711,900 | 257,780 |
| 30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)..... | XXX..... | 12,126,732 | 13,190,801 |
| 31. Federal and foreign income taxes incurred..... | XXX..... | 3,747,125 | 4,473,706 |
| 32. Net income (loss) (Lines 30 minus 31).....XXX..... | | 8,379,607 | 8,717,095 |

| DETAILS OF WRITE-INS | | | |
|--|----------|---------|---------|
| 0601. | XXX..... | | |
| 0602. | XXX..... | | |
| 0603. | XXX..... | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page..... | XXX..... | 0 | 0 |
| 0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)..... | XXX..... | 0 | 0 |
| 0701. | XXX..... | | |
| 0702. | XXX..... | | |
| 0703. | XXX..... | | |
| 0798. Summary of remaining write-ins for Line 7 from overflow page..... | XXX..... | 0 | 0 |
| 0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above)..... | XXX..... | 0 | 0 |
| 1401. | | | |
| 1402. | | | |
| 1403. | | | |
| 1498. Summary of remaining write-ins for Line 14 from overflow page..... | 0 | 0 | 0 |
| 1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)..... | 0 | 0 | 0 |
| 2901. Licensing fee income..... | | 160,000 | 160,000 |
| 2902. Miscellaneous Income..... | | 551,900 | 97,780 |
| 2903. | | | |
| 2998. Summary of remaining write-ins for Line 29 from overflow page..... | 0 | 0 | 0 |
| 2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above)..... | 0 | 711,900 | 257,780 |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| CAPITAL AND SURPLUS ACCOUNT | 1 Current Year | 2 Prior Year |
|---|-------------------|-----------------|
| 33. Capital and surplus prior reporting period..... | 102,004,530 | 95,626,307 |
| 34. Net income or (loss) from Line 32..... | 8,379,607 | 8,717,095 |
| 35. Change in valuation basis of aggregate policy and claim reserves..... | | |
| 36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0..... | 154,343 | (2,339,936) |
| 37. Change in net unrealized foreign exchange capital gain or (loss)..... | 140,226 | (101,460) |
| 38. Change in net deferred income tax..... | (154,379) | 487,735 |
| 39. Change in nonadmitted assets..... | (277,758) | 584,788 |
| 40. Change in unauthorized and certified reinsurance..... | | |
| 41. Change in treasury stock..... | | |
| 42. Change in surplus notes..... | | |
| 43. Cumulative effect of changes in accounting principles..... | | |
| 44. Capital changes: | | |
| 44.1 Paid in..... | | |
| 44.2 Transferred from surplus (Stock Dividend)..... | | |
| 44.3 Transferred to surplus..... | | |
| 45. Surplus adjustments: | | |
| 45.1 Paid in..... | | |
| 45.2 Transferred to capital (Stock Dividend)..... | | |
| 45.3 Transferred from capital..... | | |
| 46. Dividends to stockholders..... | (904,962) | (969,999) |
| 47. Aggregate write-ins for gains or (losses) in surplus..... | 0 | 0 |
| 48. Net change in capital and surplus (Lines 34 to 47)..... | 7,337,077 | 6,378,223 |
| 49. Capital and surplus end of reporting period (Line 33 plus 48)..... | 109,341,607 | 102,004,530 |

DETAILS OF WRITE-INS

| | | |
|--|---|---|
| 4701. | | |
| 4702. | | |
| 4703. | | |
| 4798. Summary of remaining write-ins for Line 47 from overflow page..... | 0 | 0 |
| 4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)..... | 0 | 0 |

CASH FLOW

| | 1 Current Year | 2 Prior Year |
|--|-------------------|-----------------|
| CASH FROM OPERATIONS | | |
| 1. Premiums collected net of reinsurance..... | 141,479,299 | 144,606,886 |
| 2. Net investment income..... | 2,782,962 | 2,718,016 |
| 3. Miscellaneous income..... | | |
| 4. Total (Lines 1 through 3)..... | 144,262,261 | 147,324,902 |
| 5. Benefit and loss related payments..... | 121,775,196 | 115,555,421 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | |
| 7. Commissions, expenses paid and aggregate write-ins for deductions..... | 1,776,109 | 30,349,537 |
| 8. Dividends paid to policyholders..... | | |
| 9. Federal and foreign income taxes paid (recovered) net of \$.0 tax on capital gains (losses)..... | 2,000,000 | 7,449,824 |
| 10. Total (Lines 5 through 9)..... | 125,551,305 | 153,354,782 |
| 11. Net cash from operations (Line 4 minus Line 10)..... | 18,710,956 | (6,029,880) |
| CASH FROM INVESTMENTS | | |
| 12. Proceeds from investments sold, matured or repaid: | | |
| 12.1 Bonds..... | 12,213,653 | 9,958,959 |
| 12.2 Stocks..... | 2,981,733 | 3,596,274 |
| 12.3 Mortgage loans..... | | |
| 12.4 Real estate..... | | |
| 12.5 Other invested assets..... | | |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments..... | (214) | |
| 12.7 Miscellaneous proceeds..... | | |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7)..... | 15,195,172 | 13,555,233 |
| 13. Cost of investments acquired (long-term only): | | |
| 13.1 Bonds..... | 18,157,462 | 12,451,614 |
| 13.2 Stocks..... | 2,739,174 | 3,829,685 |
| 13.3 Mortgage loans..... | | |
| 13.4 Real estate..... | | |
| 13.5 Other invested assets..... | | |
| 13.6 Miscellaneous applications..... | | |
| 13.7 Total investments acquired (Lines 13.1 to 13.6)..... | 20,896,636 | 16,281,299 |
| 14. Net increase (decrease) in contract loans and premium notes..... | | |
| 15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)..... | (5,701,464) | (2,726,066) |
| CASH FROM FINANCING AND MISCELLANEOUS SOURCES | | |
| 16. Cash provided (applied): | | |
| 16.1 Surplus notes, capital notes..... | | |
| 16.2 Capital and paid in surplus, less treasury stock..... | | |
| 16.3 Borrowed funds..... | | |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities..... | | |
| 16.5 Dividends to stockholders..... | 904,962 | 969,999 |
| 16.6 Other cash provided (applied)..... | 94,423 | (944,477) |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)..... | (810,539) | (1,914,476) |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)..... | 12,198,953 | (10,670,422) |
| 19. Cash, cash equivalents and short-term investments: | | |
| 19.1 Beginning of year..... | 40,971,713 | 51,642,135 |
| 19.2 End of year (Line 18 plus Line 19.1)..... | 53,170,667 | 40,971,713 |
| Note: Supplemental disclosures of cash flow information for non-cash transactions: | | |
| 20.0001 | | |

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

[illegible]

DETAILS OF WRITE-INS

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

| | | 1 | 2 | 3 | 4 |
|------------------|---|--------------------|------------------------|----------------------|--|
| Line of Business | | Direct Business | Reinsurance Assumed | Reinsurance Ceded | Net Premium Income (Cols. 1 + 2 - 3) |
| 1. | Comprehensive (hospital and medical)..... | 219,921,345 | | 76,753,047 | 143,168,298 |
| 2. | Medicare supplement..... | | | | 0 |
| 3. | Dental only..... | | | | 0 |
| 4. | Vision only..... | | | | 0 |
| 5. | Federal employees health benefits plan..... | | | | 0 |
| 6. | Title XVIII - Medicare..... | | | | 0 |
| 7. | Title XIX - Medicaid..... | | | | 0 |
| 8. | Other health..... | | | | 0 |
| 9. | Health subtotal (Lines 1 through 8)..... | 219,921,345 | 0 | 76,753,047 | 143,168,298 |
| 10. | Life..... | | | | 0 |
| 11. | Property/casualty..... | | | | 0 |
| 12. | Totals (Lines 9 to 11)..... | 219,921,345 | 0 | 76,753,047 | 143,168,298 |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|-------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|-----------------|---------------------|
| | Total | Comprehensive (Hospital and Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Payments during the year: | | | | | | | | | | |
| 1.1 Direct..... | 190,143,124 | 190,143,124 | | | | | | | | |
| 1.2 Reinsurance assumed..... | 0 | | | | | | | | | |
| 1.3 Reinsurance ceded..... | 63,418,297 | 63,418,297 | | | | | | | | |
| 1.4 Net..... | 126,724,827 | 126,724,827 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Paid medical incentive pools and bonuses..... | (4,681,495) | (4,681,495) | | | | | | | | |
| 3. Claim liability December 31, current year from Part 2A: | | | | | | | | | | |
| 3.1 Direct..... | 22,557,171 | 22,557,171 | | | | | | | | |
| 3.2 Reinsurance assumed..... | 0 | | | | | | | | | |
| 3.3 Reinsurance ceded..... | 5,917,994 | 5,917,994 | | | | | | | | |
| 3.4 Net..... | 16,639,177 | 16,639,177 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Claim reserve December 31, current year from Part 2D: | | | | | | | | | | |
| 4.1 Direct..... | 0 | | | | | | | | | |
| 4.2 Reinsurance assumed..... | 0 | | | | | | | | | |
| 4.3 Reinsurance ceded..... | 0 | | | | | | | | | |
| 4.4 Net..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Accrued medical incentive pools and bonuses, current year..... | 0 | | | | | | | | | |
| 6. Net healthcare receivables (a)..... | 259,639 | 259,639 | | | | | | | | |
| 7. Amounts recoverable from reinsurers December 31, current year..... | 0 | | | | | | | | | |
| 8. Claim liability December 31, prior year from Part 2A: | | | | | | | | | | |
| 8.1 Direct..... | 26,313,626 | 26,313,626 | | | | | | | | |
| 8.2 Reinsurance assumed..... | 0 | | | | | | | | | |
| 8.3 Reinsurance ceded..... | 5,897,416 | 5,897,416 | | | | | | | | |
| 8.4 Net..... | 20,416,210 | 20,416,210 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9. Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | |
| 9.1 Direct..... | 0 | | | | | | | | | |
| 9.2 Reinsurance assumed..... | 0 | | | | | | | | | |
| 9.3 Reinsurance ceded..... | 0 | | | | | | | | | |
| 9.4 Net..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Accrued medical incentive pools and bonuses, prior year..... | 0 | | | | | | | | | |
| 11. Amounts recoverable from reinsurers December 31, prior year..... | 148,069 | 148,069 | | | | | | | | |
| 12. Incurred benefits: | | | | | | | | | | |
| 12.1 Direct..... | 186,127,030 | 186,127,030 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.2 Reinsurance assumed..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.3 Reinsurance ceded..... | 63,290,806 | 63,290,806 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12.4 Net..... | 122,836,224 | 122,836,224 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13. Incurred medical incentive pools and bonuses..... | (4,681,495) | (4,681,495) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|-----------------|---------------------|
| | Total | Comprehensive (Medical and Hospital) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Other Health | Other Non-Health |
| 1. Reported in process of adjustment: | | | | | | | | | | |
| 1.1 Direct..... | 1,727,857 | 1,727,857 | | | | | | | | |
| 1.2 Reinsurance assumed..... | 0 | | | | | | | | | |
| 1.3 Reinsurance ceded..... | 534,543 | 534,543 | | | | | | | | |
| 1.4 Net..... | 1,193,314 | 1,193,314 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Incurred but unreported: | | | | | | | | | | |
| 2.1 Direct..... | 15,065,108 | 15,065,108 | | | | | | | | |
| 2.2 Reinsurance assumed..... | 0 | | | | | | | | | |
| 2.3 Reinsurance ceded..... | 5,383,451 | 5,383,451 | | | | | | | | |
| 2.4 Net..... | 9,681,657 | 9,681,657 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Amounts withheld from paid claims and capitations: | | | | | | | | | | |
| 3.1 Direct..... | 5,764,206 | 5,764,206 | | | | | | | | |
| 3.2 Reinsurance assumed..... | 0 | | | | | | | | | |
| 3.3 Reinsurance ceded..... | 0 | | | | | | | | | |
| 3.4 Net..... | 5,764,206 | 5,764,206 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Totals: | | | | | | | | | | |
| 4.1 Direct..... | 22,557,171 | 22,557,171 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.2 Reinsurance assumed..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.3 Reinsurance ceded..... | 5,917,994 | 5,917,994 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.4 Net..... | 16,639,177 | 16,639,177 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

| Line of Business | Claims Paid During the Year | | Claim Reserve and Claim Liability December 31 of Current Year | | 5 | 6 |
|--|--|---|--|---|--|---|
| | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 On Claims Unpaid December 31 of Prior Year | 4 On Claims Incurred During the Year | Claims Incurred in Prior Years (Columns 1 + 3) | Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
| 1. Comprehensive (hospital and medical)..... | 18,211,155 | 109,241,614 | (539,411) | 17,178,589 | 17,671,744 | 20,416,211 |
| 2. Medicare supplement..... | | | | | .0 | |
| 3. Dental only..... | | | | | .0 | |
| 4. Vision only..... | | | | | .0 | |
| 5. Federal employees health benefits plan..... | | | | | .0 | |
| 6. Title XVIII - Medicare..... | | | | | .0 | |
| 7. Title XIX - Medicaid..... | | | | | .0 | |
| 8. Other health..... | | | | | .0 | |
| 9. Health subtotal (Lines 1 to 8)..... | 18,211,155 | 109,241,614 | (539,411) | 17,178,589 | 17,671,744 | 20,416,211 |
| 10. Healthcare receivables (a)..... | | 839,512 | | | .0 | |
| 11. Other non-health..... | | | | | .0 | |
| 12. Medical incentive pools and bonus amounts..... | | (4,681,495) | | | .0 | |
| 13. Totals (Lines 9 - 10 + 11 + 12)..... | 18,211,155 | 103,720,607 | (539,411) | 17,178,589 | 17,671,744 | 20,416,211 |

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2008 | 2 2009 | 3 2010 | 4 2011 | 5 2012 |
| 1. Prior..... | 82,832 | 83,066 | | | |
| 2. 2008..... | 78,101 | 95,062 | 95,235 | | |
| 3. 2009..... | .XXX | 84,453 | 100,911 | 100,960 | |
| 4. 2010..... | .XXX | .XXX | 91,779 | 109,142 | 109,137 |
| 5. 2011..... | .XXX | .XXX | .XXX | 98,986 | 117,202 |
| 6. 2012..... | .XXX | .XXX | .XXX | .XXX | 109,242 |

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|---------------------------------------|--|-----------|-----------|-----------|-----------|
| | 1 2008 | 2 2009 | 3 2010 | 4 2011 | 5 2012 |
| 1. Prior..... | 70,130 | 70,153 | | | |
| 2. 2008..... | 98,500 | 94,590 | 95,235 | | |
| 3. 2009..... | .XXX | 105,949 | 100,959 | 100,960 | |
| 4. 2010..... | .XXX | .XXX | 112,344 | 108,424 | 109,137 |
| 5. 2011..... | .XXX | .XXX | .XXX | 120,220 | 116,857 |
| 6. 2012..... | .XXX | .XXX | .XXX | .XXX | 122,408 |

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

| Years in Which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claim Payments | 3 Claim Adjustment Expense Payments | 4 Percent (Col. 3/2) | 5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | 6 Percent (Col. 5/1) | 7 Claims Unpaid | 8 Unpaid Claim Adjustment Expense | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | 10 Percent (Col. 9/1) |
|--|-----------------------------|----------------------------|---|--------------------------------|--|--------------------------------|---------------------------|--|--|---------------------------------|
| 1. 2008..... | 116,487 | 95,235 | 3,560 | 3.7 | 98,795 | 84.8 | | | 98,795 | 84.8 |
| 2. 2009..... | 122,799 | 100,960 | 3,636 | 3.6 | 104,596 | 85.2 | | | 104,596 | 85.2 |
| 3. 2010..... | 136,034 | 109,142 | 4,081 | 3.7 | 113,223 | 83.2 | | | 113,223 | 83.2 |
| 4. 2011..... | 143,846 | 98,986 | 4,052 | 4.1 | 103,038 | 71.6 | (539) | | 102,499 | 71.3 |
| 5. 2012..... | 143,207 | 105,229 | 3,654 | 3.5 | 108,883 | 76.0 | 17,179 | 921 | 126,983 | 88.7 |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

| Year in Which Losses Were Incurred | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| | 1 2008 | 2 2009 | 3 2010 | 4 2011 | 5 2012 |
| 1. Prior..... | 82,832 | 83,066 | | | |
| 2. 2008..... | 78,101 | 95,062 | 95,235 | | |
| 3. 2009..... | XXX | 84,453 | 100,911 | 100,960 | |
| 4. 2010..... | XXX | XXX | 91,779 | 109,142 | 109,137 |
| 5. 2011..... | XXX | XXX | XXX | 98,986 | 116,533 |
| 6. 2012..... | XXX | XXX | XXX | XXX | 105,229 |

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

| Year in Which Losses Were Incurred | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year | | | | |
|---------------------------------------|--|-----------|-----------|-----------|-----------|
| | 1 2008 | 2 2009 | 3 2010 | 4 2011 | 5 2012 |
| 1. Prior..... | 83,581 | 83,066 | | | |
| 2. 2008..... | 98,500 | 94,590 | 95,235 | | |
| 3. 2009..... | XXX | 105,949 | 100,959 | 100,960 | |
| 4. 2010..... | XXX | XXX | 112,344 | 108,424 | 109,137 |
| 5. 2011..... | XXX | XXX | XXX | 120,220 | 116,857 |
| 6. 2012..... | XXX | XXX | XXX | XXX | 122,408 |

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

| Years in Which Premiums were Earned and Claims were Incurred | 1 Premiums Earned | 2 Claim Payments | 3 Claim Adjustment Expense Payments | 4 Percent (Col. 3/2) | 5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | 6 Percent (Col. 5/1) | 7 Claims Unpaid | 8 Unpaid Claim Adjustment Expenses | 9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | 10 Percent (Col. 9/1) |
|--|-----------------------------|----------------------------|---|--------------------------------|--|--------------------------------|---------------------------|---|--|---------------------------------|
| 1. 2008..... | 116,487 | 95,235 | 3,560 | 3.7 | 98,795 | 84.8 | | | 98,795 | 84.8 |
| 2. 2009..... | 122,799 | 100,960 | 3,636 | 3.6 | 104,596 | 85.2 | | | 104,596 | 85.2 |
| 3. 2010..... | 136,034 | 109,142 | 4,081 | 3.7 | 113,223 | 83.2 | | | 113,223 | 83.2 |
| 4. 2011..... | 143,846 | 98,986 | 4,052 | 4.1 | 103,038 | 71.6 | (539) | | 102,499 | 71.3 |
| 5. 2012..... | 143,207 | 105,229 | 3,654 | 3.5 | 108,883 | 76.0 | 17,179 | 921 | 126,983 | 88.7 |

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicaid
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicaid
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicaid
NONE**

U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE

U & I Ex.-Pt.2D
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

| | Claim Adjustment Expenses | | 3 | 4 | 5 |
|---|--------------------------------------|--|---------------------------------------|------------------------|--------------------|
| | 1 Cost Containment Expenses | 2 Other Claim Adjustment Expenses | | | |
| | | | General Administrative Expenses | Investment Expenses | Total |
| 1. Rent (\$.....0 for occupancy of own building)..... |14,680 | ..... | .....234,335 | ..... | .....249,015 |
| 2. Salaries, wages and other benefits..... |4,791,438 |2,167,699 |23,201,457 | ..... | .....30,160,594 |
| 3. Commissions (less \$.....0 ceded plus \$.....0 assumed)..... | ..... | ..... | .....5,953,835 | ..... | .....5,953,835 |
| 4. Legal fees and expenses..... | ..... | ..... | .....63,722 | ..... | .....63,722 |
| 5. Certifications and accreditation fees..... |6,081 | ..... | ..... | ..... | .....6,081 |
| 6. Auditing, actuarial and other consulting services..... |29,210 |1,192 |770,167 | ..... | .....800,569 |
| 7. Traveling expenses..... |109,876 |2,789 |348,839 | ..... | .....461,504 |
| 8. Marketing and advertising..... |9,768 |16 |93,332 | ..... | .....103,116 |
| 9. Postage, express and telephone..... |83,236 |657,736 |1,127,473 | ..... | .....1,868,445 |
| 10. Printing and office supplies..... |84,130 |30,669 |480,441 | ..... | .....595,240 |
| 11. Occupancy, depreciation and amortization..... | ..... | ..... | ..... | ..... | .....0 |
| 12. Equipment..... |34,690 |10,406 |281,036 | ..... | .....326,132 |
| 13. Cost or depreciation of EDP equipment and software..... |217,333 |117,797 |2,976,014 | ..... | .....3,311,144 |
| 14. Outsourced services including EDP, claims, and other services..... |1,475,319 |341,474 |437,285 | ..... | .....2,254,078 |
| 15. Boards, bureaus and association fees..... |10,219 | ..... | .....305,317 | ..... | .....315,536 |
| 16. Insurance, except on real estate..... |100,862 |11,721 |119,003 | ..... | .....231,586 |
| 17. Collection and bank service charges..... | ..... | ..... | .....120,033 | ..... | .....120,033 |
| 18. Group service and administration fees..... |50,750 |1,663,543 | ..... | ..... | .....1,714,293 |
| 19. Reimbursements by uninsured plans..... |(2,257,790) |(1,655,534) |(12,297,285) | ..... | .....(16,210,609) |
| 20. Reimbursements from fiscal intermediaries..... | ..... | .....227,114 | ..... | ..... | .....227,114 |
| 21. Real estate expenses..... |113,873 |63,590 |635,371 | ..... | .....812,834 |
| 22. Real estate taxes..... |5,959 |4,437 |39,915 | ..... | .....50,311 |
| 23. Taxes, licenses and fees: | | | | | |
| 23.1 State and local insurance taxes..... |220 |47,349 |25,553 | ..... | .....73,122 |
| 23.2 State premium taxes..... | ..... | ..... | ..... | ..... | .....0 |
| 23.3 Regulatory authority licenses and fees..... | ..... | ..... | .....51,712 | ..... | .....51,712 |
| 23.4 Payroll taxes..... |248,705 |120,799 |1,001,626 | ..... | .....1,371,130 |
| 23.5 Other (excluding federal income and real estate taxes)..... |1,703 |2,298 |1,109,439 | ..... | .....1,113,440 |
| 24. Investment expenses not included elsewhere..... | ..... | ..... | ..... | .....143,616 |143,616 |
| 25. Aggregate write-ins for expenses..... |(3,105,643) |(2,056,785) |(14,134,058) |0 |(19,296,486) |
| 26. Total expenses incurred (Lines 1 to 25)..... |2,024,619 |1,758,310 |12,944,562 |143,616 | (a).....16,871,107 |
| 27. Less expenses unpaid December 31, current year..... | ..... | .....920,710 |1,520,065 | ..... | .....2,440,775 |
| 28. Add expenses unpaid December 31, prior year..... | ..... | .....791,986 |126,992 | ..... | .....918,978 |
| 29. Amounts receivable relating to uninsured plans, prior year..... | ..... | ..... | .....157,270 | ..... | .....157,270 |
| 30. Amounts receivable relating to uninsured plans, current year..... | ..... | ..... | .....271,006 | ..... | .....271,006 |
| 31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)..... |2,024,619 |1,629,586 |11,665,225 |143,616 |15,463,046 |

DETAILS OF WRITE-INS

| | | | | | |
|--|------------------|------------------|-------------------|--------|-------------------|
| 2501. Administrative Service Agreement..... | ..... | ..... | .....2,163,918 | ..... | .....2,163,918 |
| 2502. Unpaid Claims Processing..... | ..... | .....284,238 | ..... | ..... | .....284,238 |
| 2503. Ceded Administrative Expense..... |(3,193,251) |(2,341,465) |(17,392,369) | ..... | .....(22,927,085) |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... |87,608 |442 |1,094,393 |0 |1,182,443 |
| 2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above)..... |(3,105,643) |(2,056,785) |(14,134,058) |0 |(19,296,486) |

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | 1 Collected During Year | 2 Earned During Year |
|--|-------------------------------|----------------------------|
| 1. U.S. government bonds..... | (a).....456,803 |457,122 |
| 1.1 Bonds exempt from U.S. tax..... | (a)..... | ..... |
| 1.2 Other bonds (unaffiliated)..... | (a).....1,235,896 |1,249,793 |
| 1.3 Bonds of affiliates..... | (a)..... | ..... |
| 2.1 Preferred stocks (unaffiliated)..... | (b)..... | ..... |
| 2.11 Preferred stocks of affiliates..... | (b)..... | ..... |
| 2.2 Common stocks (unaffiliated)..... |634,520 |632,432 |
| 2.21 Common stocks of affiliates..... | ..... | ..... |
| 3. Mortgage loans..... | (c)..... | ..... |
| 4. Real estate..... | (d)..... | ..... |
| 5. Contract loans..... | ..... | ..... |
| 6. Cash, cash equivalents and short-term investments..... | (e).....16,684 |25,737 |
| 7. Derivative instruments..... | (f)..... | ..... |
| 8. Other invested assets..... | ..... | ..... |
| 9. Aggregate write-ins for investment income..... |0 |0 |
| 10. Total gross investment income..... | 2,343,903 | 2,365,084 |
| 11. Investment expenses..... | | (g).....143,616 |
| 12. Investment taxes, licenses and fees, excluding federal income taxes..... | | (g)..... |
| 13. Interest expense..... | | (h)..... |
| 14. Depreciation on real estate and other invested assets..... | | (i).....0 |
| 15. Aggregate write-ins for deductions from investment income..... | |0 |
| 16. Total deductions (Lines 11 through 15)..... | |143,616 |
| 17. Net investment income (Line 10 minus Line 16)..... | |2,221,468 |

DETAILS OF WRITE-INS

| | | |
|--|--------|--------|
| 0901. .... | ..... | ..... |
| 0902. .... | ..... | ..... |
| 0903. .... | ..... | ..... |
| 0998. Summary of remaining write-ins for Line 9 from overflow page..... |0 |0 |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)..... |0 |0 |
| 1501. .... | ..... | ..... |
| 1502. .... | ..... | ..... |
| 1503. .... | ..... | ..... |
| 1598. Summary of remaining write-ins for Line 15 from overflow page..... | ..... | .....0 |
| 1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above)..... | ..... | .....0 |

- (a) Includes \$.....53,834 accrual of discount less \$.....640,567 amortization of premium and less \$.....165,472 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....23,967 accrual of discount less \$.....6,727 amortization of premium and less \$.....1,776 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | 1 Realized Gain (Loss) on Sales or Maturity | 2 Other Realized Adjustments | 3 Total Realized Capital Gain (Loss) (Columns 1 + 2) | 4 Change in Unrealized Capital Gain (Loss) | 5 Change in Unrealized Foreign Exchange Capital Gain (Loss) |
|---|---|---------------------------------------|---|---|---|
| 1. U.S. government bonds..... | ..... | ..... | .....0 | ..... | ..... |
| 1.1 Bonds exempt from U.S. tax..... | ..... | ..... | .....0 | ..... | ..... |
| 1.2 Other bonds (unaffiliated)..... |223,630 | ..... | .....223,630 | ..... | .....140,230 |
| 1.3 Bonds of affiliates..... | ..... | ..... | .....0 | ..... | ..... |
| 2.1 Preferred stocks (unaffiliated)..... | ..... | ..... | .....0 | ..... | ..... |
| 2.11 Preferred stocks of affiliates..... | ..... | ..... | .....0 | ..... | ..... |
| 2.2 Common stocks (unaffiliated)..... |1,284,143 |(450,944) |833,199 |154,343 | ..... |
| 2.21 Common stocks of affiliates..... | ..... | ..... | .....0 | ..... | ..... |
| 3. Mortgage loans..... | ..... | ..... | .....0 | ..... | ..... |
| 4. Real estate..... | ..... | ..... | .....0 | ..... | ..... |
| 5. Contract loans..... | ..... | ..... | .....0 | ..... | ..... |
| 6. Cash, cash equivalents and short-term investments..... |(214) | ..... | .....(214) | ..... | ..... |
| 7. Derivative instruments..... | ..... | ..... | .....0 | ..... | ..... |
| 8. Other invested assets..... | ..... | ..... | .....0 | ..... | ..... |
| 9. Aggregate write-ins for capital gains (losses)..... |0 |0 |0 |0 |0 |
| 10. Total capital gains (losses)..... | 1,507,559 | (450,944) | 1,056,615 | 154,343 | 140,230 |

DETAILS OF WRITE-INS

| | | | | | |
|--|--------|--------|--------|--------|--------|
| 0901. .... | ..... | ..... | .....0 | ..... | ..... |
| 0902. .... | ..... | ..... | .....0 | ..... | ..... |
| 0903. .... | ..... | ..... | .....0 | ..... | ..... |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.. |0 |0 |0 |0 |0 |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above)..... |0 |0 |0 |0 |0 |

EXHIBIT OF NONADMITTED ASSETS

| | 1 Current Year Total Nonadmitted Assets | 2 Prior Year Total Nonadmitted Assets | 3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
|---|--|--|---|
| 1. Bonds (Schedule D)..... | | |0 |
| 2. Stocks (Schedule D): | | | |
| 2.1 Preferred stocks..... | | |0 |
| 2.2 Common stocks..... | | |0 |
| 3. Mortgage loans on real estate (Schedule B): | | | |
| 3.1 First liens..... | | |0 |
| 3.2 Other than first liens..... | | |0 |
| 4. Real estate (Schedule A): | | | |
| 4.1 Properties occupied by the company..... | | |0 |
| 4.2 Properties held for the production of income..... | | |0 |
| 4.3 Properties held for sale..... | | |0 |
| 5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)..... | | |0 |
| 6. Contract loans..... | | |0 |
| 7. Derivatives (Schedule DB)..... | | |0 |
| 8. Other invested assets (Schedule BA)..... | | |0 |
| 9. Receivables for securities..... | | |0 |
| 10. Securities lending reinvested collateral assets (Schedule DL)..... | | |0 |
| 11. Aggregate write-ins for invested assets..... |0 |0 |0 |
| 12. Subtotals, cash and invested assets (Lines 1 to 11)..... |0 |0 |0 |
| 13. Title plants (for Title insurers only)..... | | |0 |
| 14. Investment income due and accrued..... | | |0 |
| 15. Premiums and considerations: | | | |
| 15.1 Uncollected premiums and agents' balances in the course of collection..... | |111,847 |111,847 |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due..... | | |0 |
| 15.3 Accrued retrospective premiums..... |152,038 | |(152,038) |
| 16. Reinsurance: | | | |
| 16.1 Amounts recoverable from reinsurers..... | | |0 |
| 16.2 Funds held by or deposited with reinsured companies..... | | |0 |
| 16.3 Other amounts receivable under reinsurance contracts..... | | |0 |
| 17. Amounts receivable relating to uninsured plans..... |97,268 |47,493 |(49,775) |
| 18.1 Current federal and foreign income tax recoverable and interest thereon..... | | |0 |
| 18.2 Net deferred tax asset..... |809,112 |883,481 |74,369 |
| 19. Guaranty funds receivable or on deposit..... | | |0 |
| 20. Electronic data processing equipment and software..... | | |0 |
| 21. Furniture and equipment, including health care delivery assets..... | | |0 |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates..... | | |0 |
| 23. Receivables from parent, subsidiaries and affiliates..... | | |0 |
| 24. Health care and other amounts receivable..... |475,460 |213,300 |(262,160) |
| 25. Aggregate write-ins for other than invested assets..... |0 |0 |0 |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25)..... |1,533,878 |1,256,121 |(277,757) |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts..... | | |0 |
| 28. TOTALS (Lines 26 and 27)..... |1,533,878 |1,256,121 |(277,757) |

DETAILS OF WRITE-INS

| | | | |
|--|--------|--------|--------|
| 1101. | | |0 |
| 1102. | | |0 |
| 1103. | | |0 |
| 1198. Summary of remaining write-ins for Line 11 from overflow page..... |0 |0 |0 |
| 1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)..... |0 |0 |0 |
| 2501. A/R Other..... | | |0 |
| 2502. | | |0 |
| 2503. | | |0 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... |0 |0 |0 |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)..... |0 |0 |0 |

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| Source of Enrollment | Total Members at End of | | | | | 6 Current Year Member Months |
|---|-------------------------|-----------------------|------------------------|-----------------------|----------------------|---------------------------------------|
| | 1 Prior Year | 2 First Quarter | 3 Second Quarter | 4 Third Quarter | 5 Current Year | |
| 1. Health maintenance organizations..... | 11,780 | 10,232 | 10,186 | 10,054 | 10,116 | 121,958 |
| 2. Provider service organizations..... | | | | | | |
| 3. Preferred provider organizations..... | | | | | | |
| 4. Point of service..... | 55,387 | 54,476 | 55,233 | 55,767 | 56,649 | 664,969 |
| 5. Indemnity only..... | | | | | | |
| 6. Aggregate write-ins for other lines of business..... | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Total..... | 67,167 | 64,708 | 65,419 | 65,821 | 66,765 | 786,927 |

DETAILS OF WRITE-INS

| | | | | | | |
|---|---|---|---|---|---|---|
| 0601. | | | | | | |
| 0602. | | | | | | |
| 0603. | | | | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page..... | 0 | 0 | 0 | 0 | 0 | 0 |
| 0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)..... | 0 | 0 | 0 | 0 | 0 | 0 |

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of the company are presented on the basis of accounting practices prescribed or permitted by the Arkansas Insurance Department.

The Arkansas Insurance Department recognizes only statutory accounting practices prescribed or permitted by the state of Arkansas for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Arkansas Insurance Law. The National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Arkansas.

| | State of Domicile - AR | 2012 | 2011 |
|---|------------------------------|-------------|-------------|
| NET INCOME | | | |
| | | | |
| (1) HMO Partner's state basis (Page 4, Line 32, Columns 2 & 3) | | 8,379,607 | 8,717,095 |
| | | | |
| (2) State Prescribed Practices that increase/(decrease) NAIC SAP: | | 0 | 0 |
| | | | |
| (3) State Permitted Practices that increase/(decrease) NAIC SAP: | | 0 | 0 |
| | | | |
| (4) NAIC SAP (1-2-3=4) | | 8,379,607 | 8,717,095 |
| | | | |
| SURPLUS | | | |
| | | | |
| (5) HMO Partner's state basis (Page 3, Line 33, Columns 3&4) | | 109,341,608 | 102,004,527 |
| | | | |
| (6) State Prescribed Practices that increase/(decrease) NAIC SAP: | | 0 | 0 |
| | | | |
| (7) State Permitted Practices that increase/(decrease) NAIC SAP: | | 0 | 0 |
| | | | |
| (8) NAIC SAP (5-6-7=8) | | 109,341,608 | 102,004,527 |

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.

(2) Bonds not backed by other loans are stated at amortized cost using the interest method.

(3) Common Stocks at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.

(4) The Company does not have preferred stock.

(5) The Company does not have mortgage loans.

(6) The Company does not have loan-backed securities.

(7) The Company does not have any investments in subsidiaries.

(8) The Company does not have any investments in joint ventures, partnerships, or limited liability companies.

(9) The Company does have any derivatives.

(10) The Company does not anticipate investment income as a factor in the premium deficiency calculation.

(11) Claims cost unpaid is the largest estimate for loss liabilities in the HMOP annual statement. The claims liability is set at the regional level, but there are reasonableness checks using a reserve set on an overall basis. When setting liability, the four methods described below are employed. Based on the estimates of these methods and retrospective considerations, the best estimate is set and then an explicit margin is added to ensure that the estimate is good and sufficient. Historically the method relied on the most is the Lag

NOTES TO FINANCIAL STATEMENTS

Method.

- a. **Lag (Development) Method:** A claims triangle is constructed for each block of business. Based on the claims payment patterns, the last 3 months of data are completed manually by adjusting the completion factors. This, in turn, provides an estimate of incurred claims and incurred per member numbers. For the months prior to the most recent three, the completion factors used to complete the data are based on the historical claims payment patterns
- b. **3 Month Average Method:** As the base liability estimate, the three month average liability of the third, fourth, and fifth month prior to the current month is used. Adjustments are made for trend, membership change, and backlog to get to the estimate
- c. **IBNR Method:** As the base liability estimate, the liability from one year ago is used and trended forward with adjustments for trend, membership, and backlog.
- d. **Aggregate Method:** Here, twelve months of paid claims are subtracted from 12 months of estimated incurred claims to get the liability estimate.

- (12) The Company has not modified it’s capitalization policy from the prior period.
- (13) Pharmacy rebate receivable estimates are based upon a history of rebates billed vs. paid pharmacy claims.

2. Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Arkansas. Effective January 1, 2001, the State of Arkansas adopted that insurance companies domiciled in the State of Arkansas prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual – Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Arkansas insurance commissioner.

Accounting changes adopted to conform to the provisions of the *NAIC Accounting Practices and Procedures* manual – Version effective January 1, 2001 are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle.

There were no accounting changes or correction of errors from the prior period.

3. Business Combinations and Goodwill

- A. None
- B. None
- C. None
- D. None

4. Discontinued Operations

The Company had no discontinued operations as of December 31, 2012.

5. Investments

- A. The Company has no mortgage loans at this time.
- B. The Company has no debt restructuring at this time.
- C. The Company has no reverse mortgages at this time.
- D. The Company has no loan-backed securities at this time.
- E. The Company has no repurchase agreements or securities lending transactions at this time.
- F. The Company has no investments in real estate at this time.
- G. The Company has no investments in low-income housing tax credits

6. Joint Ventures, Partnerships, and Limited Liability Companies

- A. None
- B. None

7. Investment Income

- A. None
- B. None

8. Derivative Instruments

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

A. The components of the net deferred tax asset/(liability) are as follows:

1.

| | 12/31/12 | | |
|--|-----------------|----------------|---------------------------|
| | (1) Ordinary | (2) Capital | (3) (Col 1+2) Total |
| (a) Gross Deferred Tax Assets | 1,688,337 | 844,498 | 2,532,835 |
| (b) Statutory Valuation Allowance Adjustment | 0 | 0 | 0 |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | 1,688,337 | 844,498 | 2,532,835 |
| (d) Deferred Tax Assets Nonadmitted | 809,112 | 0 | 809,112 |
| (e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | 879,224 | 844,498 | 1,723,722 |
| (f) Deferred Tax Liabilities | 39,521 | 3,643,810 | 3,683,332 |
| (g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f) | 839,703 | (2,799,312) | (1,959,610) |

| | 12/31/11 | | |
|--|-----------------|----------------|---------------------------|
| | (4) Ordinary | (5) Capital | (6) (Col 4+5) Total |
| (a) Gross Deferred Tax Assets | 1,624,165 | 1,064,575 | 2,688,740 |
| (b) Statutory Valuation Allowance Adjustment | 0 | 0 | 0 |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | 1,624,165 | 1,064,575 | 2,688,740 |
| (d) Deferred Tax Assets Nonadmitted | 883,481 | 0 | 883,481 |
| (e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | 740,684 | 1,064,575 | 1,805,259 |
| (f) Deferred Tax Liabilities | 93,066 | 3,433,175 | 3,526,241 |
| (g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f) | 647,618 | (2,368,600) | (1,720,982) |

| | Change | | |
|--|------------------------------|-----------------------------|---------------------------|
| | (7) (Col 1-4) Ordinary | (8) (Col 2-5) Capital | (9) (Col 3-6) Total |
| (a) Gross Deferred Tax Assets | 64,171 | (220,077) | (155,906) |
| (b) Statutory Valuation Allowance Adjustment | 0 | 0 | 0 |
| (c) Adjusted Gross Deferred Tax Assets (1a - 1b) | 64,171 | (220,077) | (155,906) |
| (d) Deferred Tax Assets Nonadmitted | (74,369) | 0 | (74,369) |
| (e) Subtotal Net Admitted Deferred Tax Assets (1c - 1d) | 138,540 | (220,077) | (81,537) |
| (f) Deferred Tax Liabilities | (53,545) | 210,635 | 157,090 |
| (g) Net Admitted Deferred Tax Assets/(Net Deferred Liab) (1e - 1f) | 192,085 | (430,712) | (238,628) |

2.

| 12/31/12 | | | |
|---|-----------------|----------------|---------------------------|
| | (1) Ordinary | (2) Capital | (3) (Col 1+2) Total |
| Admission Calculation Components - SSAP 101 | | | |
| (a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks | 839,703 | 0 | 839,703 |
| (b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below) | 0 | 0 | 0 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date | 0 | 0 | 0 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold | 0 | 0 | 16,111,868 |
| (c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | 39,521 | 844,498 | 884,019 |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c)) | 879,224 | 844,498 | 1,723,722 |

NOTES TO FINANCIAL STATEMENTS

| | 12/31/11 | | |
|---|-----------------|----------------|---------------------------|
| | (4) Ordinary | (5) Capital | (6) (Col 4+5) Total |
| Admission Calculation Components - SSAP 101 | | | |
| (a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks | 647,618 | 0 | 647,618 |
| (b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below) | 0 | 0 | 0 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date | 0 | 0 | 0 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold | 0 | 0 | 13,651,262 |
| (c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | 93,066 | 1,064,575 | 1,157,641 |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c)) | 740,684 | 1,064,575 | 1,805,259 |

| | Change | | |
|---|------------------------------|-----------------------------|---------------------------|
| | (7) (Col 1-4) Ordinary | (8) (Col 2-5) Capital | (9) (Col 3-6) Total |
| Admission Calculation Components - SSAP 101 | | | |
| (a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks | 192,085 | 0 | 192,085 |
| (b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Asset from 2(a) above) After Application of the Threshold Limitation (the lesser of 2(b)1 and 2(b)2 below) | 0 | 0 | 0 |
| 1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date | 0 | 0 | 0 |
| 2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold | 0 | 0 | 0 |
| (c) Adjusted Gross Deferred Tax Assets (Excluding the amount of Deferred Tax Assets from 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities | (53,545) | (220,077) | (273,622) |
| (d) Deferred Tax Assets Admitted as the result of application of SSAP 101 - Total (2(a) + 2(b) + 2(c)) | 138,540 | (220,077) | (81,537) |

3.

| | 2012 | 2011 |
|--|-------------|------------|
| (a) Ratio Percentage used to determine Recovery Period and Threshold Limitation Amount | 1950% | 1850% |
| (b) Amount of Adjusted Capital and Surplus used to determine Recovery Period and Threshold Limitation in 2(b)2 above | 107,412,455 | 91,008,414 |

4.

| | 12/31/12 | | |
|---|-----------------|----------------|---------------------------|
| | (1) Ordinary | (2) Capital | (3) (Col 1+2) Total |
| Impact of Tax Planning Strategies | | | |
| (a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs) | 0% | 0% | 0% |
| (b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTA's) | 0% | 0% | 0% |

| | 12/31/11 | | |
|---|-----------------|----------------|---------------------------|
| | (4) Ordinary | (5) Capital | (6) (Col 4+5) Total |
| Impact of Tax Planning Strategies | | | |
| (a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs) | 0% | 0% | 0% |
| (b) Net Admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTA's) | 0% | 0% | 0% |

NOTES TO FINANCIAL STATEMENTS

3. Deferred Tax Liabilities:

| | (1) 12/31/12 | (2) 12/31/11 | (3) (Col 1-2) Change |
|---|-----------------|-----------------|----------------------------|
| (a) Ordinary: | | | |
| (1) Accrued Dividends | 15,304 | 16,830 | (1,526) |
| (2) Unrealized Gains/(Losses)-SSP | 24,218 | 76,236 | (52,019) |
| (99) Subtotal - Ordinary | 39,521 | 93,066 | (53,545) |
| | | | |
| (b) Capital: | - | - | - |
| (1) Unrealized Capital Gains | 3,643,810 | 3,433,175 | 210,635 |
| (99) Subtotal - Capital | 3,643,810 | 3,433,175 | 210,635 |
| | | | |
| (c) Deferred tax liabilities (3a99 + 3b99h) | 3,683,332 | 3,526,241 | 157,090 |

4. Net Deferred Tax Assets/Liabilities (2i - 3c) (1,959,610) (1,720,982) (238,628)

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

Among the more significant book to tax adjustments were the following:

| | 12/31/12 | |
|---|-----------|-------------------------|
| | Amounts | Effective Tax Rate % |
| Provision computed at statutory rate | 4,296,622 | 35.0% |
| | | |
| Tax exempt income deduction | 0 | 0.0% |
| Dividends received deduction | (100,099) | -0.8% |
| Tax differentials on foreign earnings | 0 | 0.0% |
| Nondeductible expenses | 5,413 | 0.0% |
| Tax Credits | (49,148) | -0.4% |
| Rate Differential | (100,000) | -0.8% |
| Other | (1,951) | 0.0% |
| Total | 4,050,836 | 33.0% |
| | | |
| Federal and foreign income taxes incurred | 3,747,125 | 30.5% |
| Realized capital gains/(losses) tax | 149,331 | 1.2% |
| Change in net deferred income taxes | 154,380 | 1.3% |
| Total statutory income taxes | 4,050,836 | 33.0% |

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

1. At the end of the current period the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

income.

2. The following is income tax expense for 2012 and 2011 that is available for recoupment in the event of future net losses.

| Year | Amount |
|------|-----------|
| 2012 | 3,709,537 |
| 2011 | 4,779,953 |

3. The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. The Company does not file a Consolidated Federal Income Tax Return

G. Federal or Foreign Federal Income Tax Loss Contingencies

The Company has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

NOTES TO FINANCIAL STATEMENTS

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company was formed on January 1, 1994. The Company’s shareholders as of December 31, 2012 were Arkansas Blue Cross and Blue Shield (50%) and Baptist Medical System HMO, Inc. (50%). Effective October 1st, 2006, USABLE Corporation, a wholly owned subsidiary of Arkansas Blue Cross and Blue Shield (ABCBS), sold its ownership interest in HMO Partners, Inc. to ABCBS for \$27,143,396.

B. & C. The Company, d/b/a Health Advantage, serves as the Third Party Administrator for the self insured employee groups of ABCBS and Baptist Health. All receivables and payables dealing with their employee groups are classified under Uninsured Plans. At December 31, 2012, receivables of \$2,049,701 and \$341,188 were due respectively from Baptist Health and ABCBS. Payable balances of \$771,477 and \$534,398: are recorded respectively for Baptist Health and ABCBS. The Company paid dividends to Arkansas Blue and Blue Shield and BMS HMO on March 15, 2012, totaling \$452,481 to each.

D. At December 31, 2012 the Company reported the following amounts due to Affiliates:

| | |
|-------------------------------------|----------------|
| Arkansas Blue Cross and Blue Shield | \$7,684,942 |
| USABLE Life | <u>104,691</u> |
| Total | \$7,789,633 |

E. N/A

F. The Company reimburses Arkansas Blue Cross and Blue Shield for various administrative, employee benefit and marketing shared expenses, which are provided to the Company. These expenses are allocated to the Company in accordance with generally accepted accounting principles. In addition, the Company leases office space from Arkansas Blue Cross and Blue Shield.

- G. N/A
- H. N/A
- I. N/A
- J. N/A
- K. N/A
- L. N/A

11. Debt

A. As of December 31, 2012, the Company has no capital notes. As of December 31, 2012, the Company’s liability for borrowed money was zero (\$-0-).

B. As of December 31, 2012, the Company has no FHLB agreements.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan
The Company no longer offers a defined benefit plan.
- B. Defined Contribution Plan
The Company offers an optional 401(k) plan to all eligible employees. The employee has the option of deferring up to 50% of his or her salary. The Company matches the amount deferred by the employee based upon years of service from a minimum of 50% to a maximum of 100% of a 6% contribution.
- Effective July 1, 1998 the plan was amended to establish a non-contributory, defined contribution portion of the plan known as 401(k) Plu\$. Employees are not required to participate in the original defined contribution plan in order to receive benefits under the 401(k) Plu\$ portion of the plan. Under the 401(k) Plu\$ the Company makes a contribution from 2% to 6% of the eligible compensation of all eligible employees. The determination of the percentage to be used in calculating the contribution is based upon annually established net income targets. At no time will the contribution be less than 2% nor more than 6%. For 2012, 4% has been used to calculate the Company’s contribution of \$579,986.
- All funds under the 401(k) Plu\$ portions of the plan are held by an outside trustee.
- C. Multiemployer Plans
The Company does not participate in multiemployer plans.
- D. Consolidated/Holding Company Plans
The Company’s employees participate in the deferred compensation plans of the Company’s co-owner, Arkansas Blue Cross and Blue Shield.
- E. Postemployment Benefits and Compensated Absences
The Company does not offer a postretirement benefit plan.
- F. N/A

NOTES TO FINANCIAL STATEMENTS

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganization

- 1) As of December 31, 2012, the Company had 1,000,000 common stock shares authorized, issued and outstanding at \$.01 par value.
- 2) The Company has no preferred stock outstanding.
- 3) Dividends are paid based on earned surplus and cannot fall below state net worth requirements.
- 4) Ordinary dividends on Company stock are paid as declared by its Board of Directors. Dividends were paid in the amount of \$904,962 on March 15, 2012.
- 5) All unassigned surplus is being held for the stockholder.
- 6) As of December 31, 2012, the Company held no stock for special purposes such as employee stock options or conversion of preferred stock.
- 7) The Company does not have any advances to surplus.
- 8) N/A
- 9) The Company has no special surplus funds.
- 10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$ 6,716,502.
- 11) The Company has no surplus notes.
- 12) The Company was not involved in a quasi-reorganization.
- 13) The Company was not involved in a quasi-reorganization.

14. Contingencies

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None

The Company is not aware of any contingent liabilities as of December 31, 2012.

In the normal course of business, the Company is involved in litigation from time to time with claimants and others, a number of these were pending at December 31, 2012. In the opinion of the Company, the ultimate liability, if any, has been adequately provided for in the financial statements, and any excess liability would not have a material adverse financial effect upon the Company.

15. Leases

- A. None
- B. None

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

The Company does not have any off-balance sheet risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. None
- B. None
- C. None

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The gain (loss) from operations for uninsured accident and health plans was as follows during 2012:

| | Uninsured Plans | Uninsured Portion of Partially Insured Plans | Total |
|---|--------------------|---|---------------|
| Net Reimbursement for Administrative expenses (including administrative fees) in excess of actual expenses | \$ 2,190,288 | \$-0- | \$ 2,190,288 |
| Other Income | \$-0- | \$-0- | \$-0- |
| Net gain or (loss) from operations | \$ 2,190,288 | \$-0- | \$ 2,190,288 |
| Total claim payment volume | \$210,362,643 | \$-0- | \$210,362,643 |

- A. None
- B. None

NOTES TO FINANCIAL STATEMENTS

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

The Company does not currently have any direct premium written/produced by managing general agents/third party administrators.

20. Fair Value Measurement

A.

1. Fair Value Measurements at Reporting Date

| Description | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|--------------|-------------|---------|--------------|
| a. Assets at Fair Value | | | | |
| Perpetual Preferred Stock | \$0 | \$0 | \$0 | \$0 |
| Industrial and Misc | \$0 | \$0 | \$0 | \$0 |
| Parent, Subsidiaries and Affiliates | \$0 | \$0 | \$0 | \$0 |
| Total Perpetual Preferred Stocks | | | | |
| Bonds | | | | |
| U.S. Governments | | | | |
| Industrial and Misc | | | | |
| Hybrid Securities | | | | |
| Parent, Subsidiaries and Affiliates | | | | |
| Total Bonds | | | | |
| Common Stock | | | | |
| Industrial and Misc | \$15,352,496 | \$7,746,374 | \$0 | \$23,098,869 |
| Parent, Subsidiaries and Affiliates | \$0 | \$0 | \$0 | \$0 |
| Supplemental Savings Plan | \$ 2,277,669 | \$0 | \$0 | \$ 2,277,669 |
| Total Common Stock | | | | |
| Total Assets at Fair Value | \$17,630,165 | \$7,746,374 | \$0 | \$25,376,538 |
| Derivative Assets (none) | | | | |
| Liabilities (none) | | | | |

2. The Company does not have fair value measures in Level 3.
3. The Company does not have any transfers between levels of fair value measurement.
4. As of December 31, 2012, the reported fair value of the reporting entities investments in Level 2 common stock was \$7,746,374. These securities are foreign common stock. To measure their fair value the reporting entity used current market prices in U.S. dollars.

C.

| Type of Financial Instrument | Aggregate Fair Value | Admitted Assets | Level 1 | Level 2 | Level 3 | Not Practicable Carrying Value |
|------------------------------|----------------------|-----------------|--------------|---------------|---------|--------------------------------|
| Bonds | \$102,115,721 | \$102,115,721 | | \$102,115,721 | | |
| Common Stock | \$ 23,098,869 | \$ 23,098,869 | \$15,352,496 | \$ 7,746,374 | | |
| Supplemental Savings Plan | \$ 2,277,669 | \$ 2,277,669 | \$ 2,277,669 | | | |
| Total | \$127,492,259 | \$127,492,259 | \$17,630,165 | \$109,862,095 | \$0 | \$0 |

D.

The Company does not have any of these securities at this time.

21. Other Items

- A. The Company had no extraordinary items as of December 31, 2012.
- B. The Company had no troubled debt restructuring as of December 31, 2012.
- C. The Company has no other disclosures as of December 31, 2012.
- D. The Company has no uncollectible assets covered by SSAP No.6 as of December 31, 2012.
- E. The Company has no business interruption insurance recoveries.
- F. The Company has no state transferable tax credits
- G. The Company does not engage in sub-prime residential mortgage lending nor does it have any material direct investments in collateralized debt obligations or debt securities that are directly backed by residential mortgages. The Company’s exposure to sub-prime lending is limited to its ownership of the general obligation debt and/or equity securities of both governmental and commercial entities whose business activities include residential mortgage lending.
- H. The Company has no retained assets.

As of December 31, 2012 the Company held no debt securities described in the previous paragraph.

The market value of the Company’s investment in the equity securities of commercial enterprises that engage in residential mortgage lending accumulates to \$253,600. This represents 1.098% of the Company’s non related investments in equity securities of \$23,098,869.

22. Events Subsequent

There were no known events subsequent as of December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

A. Ceded Reinsurance Report

Section 1

- 1.The Company had no non-affiliated reinsurers.
- 2. The Company had no reinsurer chartered outside the United States.

Section 2

- 1. The Company has no reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits.
- 2.The Company has no reinsurance agreements in effect such that the amount of losses paid or accrued may result in a payment to the reinsurer of amounts that exceed the premium collected.

Section 3

- 1. The estimated reduction in surplus if the reinsurance agreement was terminated would be \$-0-.
- 2. No new agreements have been executed since January 1, 2004.

- B. The Company did not have any uncollectible reinsurance written off during the year.
- C. There was no commutation of reinsurance during the year.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. The company estimates accrued retrospective premium adjustments for its group health insurance business though a mathematical approach using an algorithm of the company’s underwriting rules and experience rating practices.

The company also has health insurance business that is subject to a medical loss ratio pursuant to the Public Health Service Act.

- B. The company records accrued retrospective premium as an adjustment to earned premium.

- C. The amount of net premiums written by the company at December 31, 2012 that are subject to retrospective rating features was \$143 million that represented 100% of the total net premium written. No other net premium written by the company are subject to retrospective rating features.

- D.

| | 1 | 2 | 3 | 4 | 5 |
|---|------------|----------------------|----------------------|-------------------------------|---------|
| | Individual | Small Group Employer | Large Group Employer | Other Categories with Rebates | Total |
| Prior Reporting Year | | | | | |
| (1) Medical loss ratio rebates incurred | | 593,597 | | | 593,597 |
| (2) Medical loss ratio rebates paid | | | | | |
| (3) Medical loss ratio rebates unpaid | | 593,597 | | | 593,597 |
| (4) Plus reinsurance assumed amounts | | | | | |
| (5) Less reinsurance ceded amounts | | 593,597 | | | 593,597 |
| (6) Rebates unpaid net of reinsurance | | 0 | | | 0 |
| Current Reporting Year-to-Date | | | | | |
| (7) Medical loss ratio rebates incurred | | 155,158 | | | 155,158 |
| (8) Medical loss ratio rebates paid | | 748,755 | | | 748,755 |
| (9) Medical loss ratio rebates unpaid | | | | | |
| (10) Plus reinsurance assumed amounts | | | | | |
| (11) Less reinsurance ceded amounts | | 155,158 | | | 155,158 |
| (12) Rebates unpaid net of reinsurance | | 0 | | | 0 |

NOTES TO FINANCIAL STATEMENTS

25. Change in Incurred Claims and Claim Adjustment Expenses

The Company does not have any changes in the provision for incurred claim and claim adjustment expenses attributable to insured events of prior years.

26. Intercompany Pooling Arrangements

The Company has no intercompany pooling arrangements.

- A. None
- B. None
- C. None
- D. None
- E. None
- F. None
- G. None

27. Structured Settlements

This note is not applicable to health entities.

28. Health Care Receivables

A. The Company, in accordance with SSAP No. 84, has estimated pharmaceutical rebate receivables recorded on its financial statements. In determining its estimate, the Company utilizes historical information relative to pharmaceutical rebates received as well as considering contractual changes in rebate amounts and changes in membership. While the Company records the total estimated pharmaceutical rebate receivable, it only admits as an asset the estimate for the last quarter of the reporting date. The detail of the estimated amounts on the financial statements and the related collections are as follows:

| Qtr | Est Rebates on F/S | Rebates as Billed Or Confirmed | ---Rebates collected within days of billing--- | | |
|------------|-----------------------|-----------------------------------|--|-----------|----------|
| | | | 0-90 | 91-180 | over 180 |
| 12/31/2012 | \$651,113 | \$651,113 | \$0 | \$0 | \$0 |
| 09/30/2012 | \$641,810 | \$567,507 | \$91,241 | \$0 | \$0 |
| 06/30/2012 | \$655,463 | \$565,344 | \$0 | \$518,565 | \$0 |
| 03/31/2012 | \$642,506 | \$550,383 | \$0 | \$519,059 | \$19,971 |
| | | | | | |
| 12/31/2011 | \$646,555 | \$618,869 | \$7,040 | \$593,491 | \$55,574 |
| 09/30/2011 | \$614,801 | \$619,529 | \$389,845 | \$202,599 | \$27,667 |
| 06/30/2011 | \$574,842 | \$585,704 | \$56,772 | \$529,431 | \$18,215 |
| 03/31/2011 | \$547,122 | \$532,204 | \$4,360 | \$520,537 | \$36,367 |
| | | | | | |
| 12/31/2010 | \$539,125 | \$530,503 | | \$518,096 | \$11,978 |
| 09/30/2010 | \$502,871 | \$512,684 | \$48,745 | \$453,258 | \$9,343 |
| 06/30/2010 | \$520,498 | \$502,109 | \$282 | \$506,469 | \$6,823 |
| 03/31/2010 | \$778,784 | \$491,349 | \$5,678 | \$416,629 | \$47,734 |

B. The Company has no risk sharing receivables.

29. Participating Policies

The Company has no participating contracts.

- A. None
- B. None
- C. None
- D. None

30. Premium Deficiency Reserves

The Company has no premium deficiency reserves.

31. Anticipated Salvage and Subrogation

The Company has no estimates of anticipated salvage and subrogation.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒]

No ☐]

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒]

No ☐]

N/A ☐]

1.3

State regulating?

Arkansas

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒]

No ☐]

2.2

If yes, date of change:

08/22/2012

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2011

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2011

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/30/2010

3.4

By what department or departments?

Arkansas Insurance Department

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes ☐]

No ☐]

N/A ☒]

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒]

No ☐]

N/A ☐]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes ☐]

No ☒]

4.12

renewals?

Yes ☐]

No ☒]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes ☐]

No ☒]

4.22

renewals?

Yes ☐]

No ☒]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐]

No ☒]

5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| | | |
|----------------|---------------|-------------------|
| 1 | 2 | 3 |
| Name of Entity | NAIC Co. Code | State of Domicile |
| | | |

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐]

No ☒]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐]

No ☒]

7.2

If yes,

7.21

State the percentage of foreign control

.....%

7.22

State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

| | |
|-------------|----------------|
| 1 | 2 |
| Nationality | Type of Entity |
| | |

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes ☐]

No ☒]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes ☐]

No ☒]

8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| | | | | | |
|----------------|------------------------|-----|-----|------|-----|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Affiliate Name | Location (City, State) | FRB | OCC | FDIC | SEC |
| | | | | | |

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

BKD, LLP Little Rock, Arkansas

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes ☐]

No ☒]

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes ☐]

No ☒]

10.4

If the response to 10.3 is yes, provide information related to this exemption:

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes ☒]

No ☐]

N/A ☐]

10.6

If the answer to 10.5 is no or n/a, please explain.

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Samuel Vorderstrasse, Employee of Arkansas Blue Cross and Blue Shield

GENERAL INTERROGATORIES

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

12.2 If yes, provide explanation.

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

| 1 | 2 | 3 | 4 |
|---|---------------------------------|---|--------|
| American Bankers Association (ABA) Routing Number | Issuing or Confirming Bank Name | Circumstances That Can Trigger the Letter of Credit | Amount |
| | | | |

PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []

18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

PART 1 - COMMON INTERROGATORIES - FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others

21.22 Borrowed from others

21.23 Leased from others

21.24 Other

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [X] No []

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment \$.....800,667

22.22 Amount paid as expenses \$.....0

22.23 Other amounts paid \$.....0

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....80,002

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [X] No []

24.02 If no, give full and complete information relating thereto.

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes []No []N/A [X]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.

24.06 If answer to 24.04 is no, report amount of collateral for other programs.

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes []No []N/A [X]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes []No []N/A [X]

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes []No []N/A [X]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

24.103 Total payable for securities lending reported on the liability page.

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03)

Yes [X]No []

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements

\$.....0

25.22 Subject to reverse repurchase agreements

\$.....0

25.23 Subject to dollar repurchase agreements

\$.....0

25.24 Subject to reverse dollar repurchase agreements

\$.....0

25.25 Pledged as collateral

\$.....0

25.26 Placed under option agreements

\$.....0

25.27 Letter stock or securities restricted as to sale

\$.....0

25.28 On deposit with state or other regulatory body

\$.....300,000

25.29 Other

\$.....0

25.3 For category (25.27) provide the following:

| 1 | 2 | 3 |
|-----------------------|-------------|--------|
| Nature of Restriction | Description | Amount |
| | | |

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes []No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes []No []N/A [X]

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes []No [X]

27.2 If yes, state the amount thereof at December 31 of the current year:

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X]No []

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1 | 2 |
|---|---------------------|
| Name of Custodian(s) | Custodian's Address |
| US Bank Institutional Trust and Custody | St. Louis, MO |

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1 | 2 | 3 |
|---------|-------------|-------------------------|
| Name(s) | Location(s) | Complete Explanation(s) |
| | | |

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes []No [X]

28.04 If yes, give full and complete information relating thereto:

| 1 | 2 | 3 | 4 |
|---------------|---------------|----------------|--------|
| Old Custodian | New Custodian | Date of Change | Reason |
| | | | |

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1 | 2 | 3 |
|---|--------------------------------|-----------------|
| Central Registration Depository Number(s) | Name | Address |
| 116359 | Foundation Resource Management | Little Rock, AR |

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes []No [X]

29.2 If yes, complete the following schedule:

| 1 | 2 | 3 |
|----------------|---------------------|--------------------------|
| CUSIP # | Name of Mutual Fund | Book/Adj. Carrying Value |
| | | |
| 29.2999. TOTAL | | 0 |

29.3 For each mutual fund listed in the table above, complete the following schedule:

| 1 | 2 | 3 | 4 |
|--|--|--|-------------------|
| Name of Mutual Fund (from the above table) | Name of Significant Holding of the Mutual Fund | Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding | Date of Valuation |
| | | | |

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

| | 1 | 2 | 3 |
|----------------------------|----------------------------|-------------|---|
| | Statement (Admitted) Value | Fair Value | Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
| 30.1 Bonds..... | 102,115,721 | 103,832,000 | 1,716,279 |
| 30.2 Preferred stocks..... | | | 0 |
| 30.3 Totals..... | 102,115,721 | 103,832,000 | 1,716,279 |

30.4 Describe the sources or methods utilized in determining the fair values:

Fair value pricing obtained, where applicable, from NAIC 4th Quarter 2206 Valuation of Securities database, or from market prices provided by US Bank Institutional Trust & Custody, cu

PART 1 - COMMON INTERROGATORIES - INVESTMENT

31.1

Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [X]

No []

31.2

If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [X]

No []

31.3

If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

32.1

Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X]

No []

32.2

If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

33.1

Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$.....230,319

33.2

List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|------------------------------------|------------------|
| Blue Cross Blue Shield Association | 230,319 |

34.1

Amount of payments for legal expenses, if any?

\$.....63,721

34.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|---------------------|------------------|
| Foley & Lardner LLP | 43,356 |

35.1

Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$.....105,228

35.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

| 1 Name | 2 Amount Paid |
|------------------------------------|------------------|
| Blue Cross Blue Shield Association | 42,728 |

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [☐]

No [☒ X]
- 1.2

If yes, indicate premium earned on U.S. business only

.....
- 1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

.....
- 1.31

Reason for excluding

.....

- 1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

.....
- 1.5

Indicate total incurred claims on all Medicare Supplement insurance.

.....
- 1.6

Individual policies:

Most current three years:

1.61

Total premium earned

.....

1.62

Total incurred claims

.....

1.63

Number of covered lives

.....

All years prior to most current three years:

1.64

Total premium earned

.....

1.65

Total incurred claims

.....

1.66

Number of covered lives

.....
- 1.7

Group policies:

Most current three years:

1.71

Total premium earned

.....

1.72

Total incurred claims

.....

1.73

Number of covered lives

.....

All years prior to most current three years:

1.74

Total premium earned

.....

1.75

Total incurred claims

.....

1.76

Number of covered lives

.....

2.

Health test:

| | 1 Current Year | 2 Prior Year |
|----------------------------------|-------------------|------------------|
| 2.1 Premium Numerator..... |143,168,298 |143,801,757 |
| 2.2 Premium Denominator..... |143,168,298 |143,801,757 |
| 2.3 Premium Ratio (2.1/2.2)..... |100.0 |100.0 |
| 2.4 Reserve Numerator..... |16,639,178 |20,416,211 |
| 2.5 Reserve Denominator..... |16,639,177 |20,416,210 |
| 2.6 Reserve Ratio (2.4/2.5)..... |100.0 |100.0 |

- 3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits?

Yes [☐]

No [☒ X]
- 3.2

If yes, give particulars:

.....

- 4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [☒ X]

No [☐]
- 4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [☐]

No [☒ X]
- 5.1

Does the reporting entity have stop-loss reinsurance?

Yes [☒ X]

No [☐]
- 5.2

If no, explain:

.....

- 5.3

Maximum retained risk (see instructions):

5.31

Comprehensive medical

\$.....2,000,000

5.32

Medical only

\$.....0

5.33

Medicare supplement

\$.....0

5.34

Dental and vision

\$.....0

5.35

Other limited benefit plan

\$.....0

5.36

Other

\$.....0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Hold harmless

- 7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [☒ X]

No [☐]
- 7.2

If no, give details:

.....

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

.....10,848

8.2

Number of providers at end of reporting year

.....12,315

- 9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [☐]

No [☒ X]
- 9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

.....

9.22

Business with rate guarantees over 36 months

.....

- 10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts?

Yes [☒ X]

No [☐]
- 10.2

If yes:

10.21

Maximum amount payable bonuses

\$.....0

10.22

Amount actually paid for year bonuses

\$.....0

10.23

Maximum amount payable withholds

\$.....5,764,206

10.24

Amount actually paid for year withholds

\$.....10,877,110

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

11.13 An Individual Practice Association (IPA), or

11.14 A Mixed Model (combination of above)?

Yes []

No [X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X]

No []
- 11.3 If yes, show the name of the state requiring such net worth.

Arkansas
- 11.4 If yes, show the amount required.

\$.....100,000
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes []

No [X]
- 11.6 If the amount is calculated, show the calculation:

12. List service areas in which reporting entity is licensed to operate:

| |
|----------------------|
| 1 |
| Name of Service Area |
| Arkansas |

- 13.1 Do you act as a custodian for health savings account?

Yes []

No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

.....
- 13.3 Do you act as an administrator for health savings accounts?

Yes []

No [X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date.

.....

FIVE-YEAR HISTORICAL DATA

| | 1 2012 | 2 2011 | 3 2010 | 4 2009 | 5 2008 |
|--|-------------|-------------|-------------|-------------|-------------|
| Balance Sheet Items (Pages 2 and 3) | | | | | |
| 1. Total admitted assets (Page 2, Line 28)..... | 148,037,295 | 146,008,992 | 142,757,661 | 128,358,281 | 116,007,331 |
| 2. Total liabilities (Page 3, Line 24)..... | 38,695,687 | 44,004,465 | 47,131,354 | 44,262,604 | 41,105,089 |
| 3. Statutory surplus..... | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 4. Total capital and surplus (Page 3, Line 33)..... | 109,341,608 | 102,004,527 | 95,626,307 | 84,095,677 | 74,902,242 |
| Income Statement Items (Page 4) | | | | | |
| 5. Total revenues (Line 8)..... | 143,168,298 | 143,801,757 | 136,176,181 | 122,798,650 | 116,486,603 |
| 6. Total medical and hospital expenses (Line 18)..... | 118,154,729 | 115,698,129 | 106,652,090 | 100,908,403 | 95,834,446 |
| 7. Claims adjustment expenses (Line 20)..... | 3,782,929 | 4,065,181 | 3,985,644 | 3,666,090 | 3,368,731 |
| 8. Total administrative expenses (Line 21)..... | 12,944,562 | 14,033,271 | 13,559,373 | 11,567,134 | 10,716,637 |
| 9. Net underwriting gain (loss) (Line 24)..... | 8,286,078 | 10,005,176 | 11,979,074 | 6,657,023 | 6,566,789 |
| 10. Net investment gain (loss) (Line 27)..... | 3,128,754 | 2,927,845 | 2,106,537 | 1,663,278 | 2,710,687 |
| 11. Total other income (Lines 28 plus 29)..... | 711,900 | 257,780 | 329,585 | 288,002 | 293,282 |
| 12. Net income or (loss) (Line 32)..... | 8,379,607 | 8,717,095 | 9,699,988 | 5,394,289 | 5,449,044 |
| Cash Flow (Page 6) | | | | | |
| 13. Net cash from operations (Line 11)..... | 18,710,956 | (6,029,880) | 8,503,168 | 5,383,831 | 12,896,550 |
| Risk-Based Capital Analysis | | | | | |
| 14. Total adjusted capital..... | 109,341,608 | 102,004,527 | 95,626,307 | 84,095,677 | 74,902,242 |
| 15. Authorized control level risk-based capital..... | 5,606,328 | 5,513,091 | 5,424,026 | 5,035,282 | 4,546,132 |
| Enrollment (Exhibit 1) | | | | | |
| 16. Total members at end of period (Column 5, Line 7)..... | 66,765 | 67,167 | 65,548 | 66,724 | 66,315 |
| 17. Total member months (Column 6, Line 7)..... | 786,927 | 795,988 | 793,508 | 803,024 | 797,630 |
| Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0 | | | | | |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 19. Total hospital and medical plus other non-health (Line 18 plus Line 19) | 82.5 | 80.5 | 78.3 | 82.2 | 82.3 |
| 20. Cost containment expenses..... | 1.4 | 1.7 | 1.7 | 1.7 | 1.8 |
| 21. Other claims adjustment expenses..... | 1.2 | 1.2 | 1.2 | 1.3 | 1.1 |
| 22. Total underwriting deductions (Line 23)..... | 94.2 | 93.0 | 91.2 | 94.6 | 94.4 |
| 23. Total underwriting gain (loss) (Line 24)..... | 5.8 | 7.0 | 8.8 | 5.4 | 5.6 |
| Unpaid Claims Analysis (U&I Exhibit, Part 2B) | | | | | |
| 24. Total claims incurred for prior years (Line 13 Col. 5)..... | 17,671,744 | 16,593,569 | 16,580,037 | 17,268,487 | 15,445,016 |
| 25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)] | 20,416,211 | 20,513,702 | 21,569,979 | 21,177,672 | 17,269,291 |
| Investments in Parent, Subsidiaries and Affiliates | | | | | |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)..... | | | | | |
| 27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1)..... | | | | | |
| 28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1)..... | | | | | |
| 29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10)..... | | | | | |
| 30. Affiliated mortgage loans on real estate..... | | | | | |
| 31. All other affiliated..... | | | | | |
| 32. Total of above Lines 26 to 31..... | 0 | 0 | 0 | 0 | 0 |
| 33. Total investment in parent included in Lines 26 to 31 above..... | | | | | |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [☐]No [☐]

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

| | | | 1 | Direct Business Only | | | | | | | |
|-------------|--|-----------|---------------|----------------------------|----------------------|--------------------|--|--|-----------------------------|---------------------------|------------------------|
| | | | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| State, Etc. | | | Active Status | Accident & Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefits Program Premiums | Life & Annuity Premiums and Other Considerations | Property/ Casualty Premiums | Total Columns 2 Through 7 | Deposit-Type Contracts |
| 1. | Alabama.....AL | ...N. | | | | | | | |0 | |
| 2. | Alaska.....AK | ...N. | | | | | | | |0 | |
| 3. | Arizona.....AZ | ...N. | | | | | | | |0 | |
| 4. | Arkansas.....AR | ...L | 218,393,849 | | | | | | | 218,393,849 | |
| 5. | California.....CA | ...N. | | | | | | | |0 | |
| 6. | Colorado.....CO | ...N. | | | | | | | |0 | |
| 7. | Connecticut.....CT | ...N. | | | | | | | |0 | |
| 8. | Delaware.....DE | ...N. | | | | | | | |0 | |
| 9. | District of Columbia.....DC | ...N. | | | | | | | |0 | |
| 10. | Florida.....FL | ...N. | | | | | | | |0 | |
| 11. | Georgia.....GA | ...N. | | | | | | | |0 | |
| 12. | Hawaii.....HI | ...N. | | | | | | | |0 | |
| 13. | Idaho.....ID | ...N. | | | | | | | |0 | |
| 14. | Illinois.....IL | ...N. | | | | | | | |0 | |
| 15. | Indiana.....IN | ...N. | | | | | | | |0 | |
| 16. | Iowa.....IA | ...N. | | | | | | | |0 | |
| 17. | Kansas.....KS | ...N. | | | | | | | |0 | |
| 18. | Kentucky.....KY | ...N. | | | | | | | |0 | |
| 19. | Louisiana.....LA | ...N. | | | | | | | |0 | |
| 20. | Maine.....ME | ...N. | | | | | | | |0 | |
| 21. | Maryland.....MD | ...N. | | | | | | | |0 | |
| 22. | Massachusetts.....MA | ...N. | | | | | | | |0 | |
| 23. | Michigan.....MI | ...N. | | | | | | | |0 | |
| 24. | Minnesota.....MN | ...N. | | | | | | | |0 | |
| 25. | Mississippi.....MS | ...N. | | | | | | | |0 | |
| 26. | Missouri.....MO | ...N. | | | | | | | |0 | |
| 27. | Montana.....MT | ...N. | | | | | | | |0 | |
| 28. | Nebraska.....NE | ...N. | | | | | | | |0 | |
| 29. | Nevada.....NV | ...N. | | | | | | | |0 | |
| 30. | New Hampshire.....NH | ...N. | | | | | | | |0 | |
| 31. | New Jersey.....NJ | ...N. | | | | | | | |0 | |
| 32. | New Mexico.....NM | ...N. | | | | | | | |0 | |
| 33. | New York.....NY | ...N. | | | | | | | |0 | |
| 34. | North Carolina.....NC | ...N. | | | | | | | |0 | |
| 35. | North Dakota.....ND | ...N. | | | | | | | |0 | |
| 36. | Ohio.....OH | ...N. | | | | | | | |0 | |
| 37. | Oklahoma.....OK | ...N. | | | | | | | |0 | |
| 38. | Oregon.....OR | ...N. | | | | | | | |0 | |
| 39. | Pennsylvania.....PA | ...N. | | | | | | | |0 | |
| 40. | Rhode Island.....RI | ...N. | | | | | | | |0 | |
| 41. | South Carolina.....SC | ...N. | | | | | | | |0 | |
| 42. | South Dakota.....SD | ...N. | | | | | | | |0 | |
| 43. | Tennessee.....TN | ...N. | | | | | | | |0 | |
| 44. | Texas.....TX | ...N. | | | | | | | |0 | |
| 45. | Utah.....UT | ...N. | | | | | | | |0 | |
| 46. | Vermont.....VT | ...N. | | | | | | | |0 | |
| 47. | Virginia.....VA | ...N. | | | | | | | |0 | |
| 48. | Washington.....WA | ...N. | | | | | | | |0 | |
| 49. | West Virginia.....WV | ...N. | | | | | | | |0 | |
| 50. | Wisconsin.....WI | ...N. | | | | | | | |0 | |
| 51. | Wyoming.....WY | ...N. | | | | | | | |0 | |
| 52. | American Samoa.....AS | ...N. | | | | | | | |0 | |
| 53. | Guam.....GU | ...N. | | | | | | | |0 | |
| 54. | Puerto Rico.....PR | ...N. | | | | | | | |0 | |
| 55. | U.S. Virgin Islands.....VI | ...N. | | | | | | | |0 | |
| 56. | Northern Mariana Islands.....MP | ...N. | | | | | | | |0 | |
| 57. | Canada.....CAN | ...N. | | | | | | | |0 | |
| 58. | Aggregate Other alien.....OT | ...XXX |0 |0 |0 |0 |0 |0 |0 |0 |0 |
| 59. | Subtotal..... | ...XXX | 218,393,849 |0 |0 |0 |0 |0 |0 | 218,393,849 |0 |
| 60. | Reporting entity contributions for Employee Benefit Plans..... | ...XXX | 1,527,496 | | | | | | | 1,527,496 | |
| 61. | Total (Direct Business)..... | (a).....1 | 219,921,345 |0 |0 |0 |0 |0 |0 | 219,921,345 |0 |

DETAILS OF WRITE-INS

| | | | | | | | | |
|--|--|--------|--------|--------|--------|--------|--------|--------|
| 58001. | | | | | | |0 | |
| 58002. | | | | | | |0 | |
| 58003. | | | | | | |0 | |
| 58998. Summary of remaining write-ins for line 58..... | |0 |0 |0 |0 |0 |0 |0 |
| 58999. Total (Lines 58001 thru 58003 + 58998)..... | |0 |0 |0 |0 |0 |0 |0 |

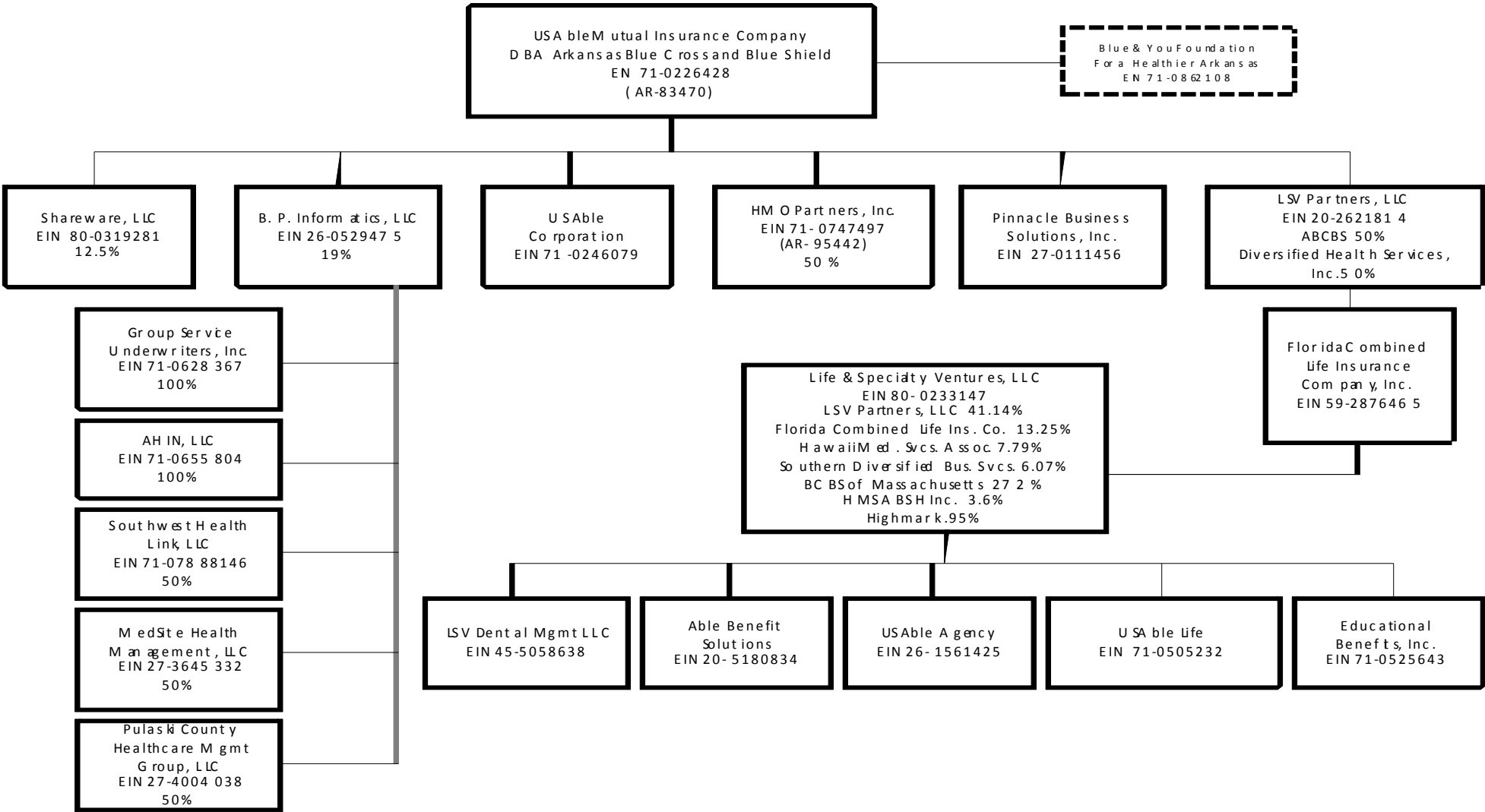
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

HMO Partner's only reports information for Arkansas and therefore does not need to allocate.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



2012 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK

| | | | |
|--|------|--|------|
| Analysis of Operations By Lines of Business | 7 | Schedule D – Part 6 – Section 2 | E16 |
| Assets | 2 | Schedule D – Summary By Country | SI04 |
| Cash Flow | 6 | Schedule D – Verification Between Years | SI03 |
| Exhibit 1 – Enrollment By Product Type for Health Business Only | 17 | Schedule DA – Part 1 | E17 |
| Exhibit 2 – Accident and Health Premiums Due and Unpaid | 18 | Schedule DA – Verification Between Years | SI10 |
| Exhibit 3 – Health Care Receivables | 19 | Schedule DB – Part A – Section 1 | E18 |
| Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus | 20 | Schedule DB – Part A – Section 2 | E19 |
| Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates | 21 | Schedule DB – Part A – Verification Between Years | SI11 |
| Exhibit 6 – Amounts Due To Parent, Subsidiaries and Affiliates | 22 | Schedule DB – Part B – Section 1 | E20 |
| Exhibit 7 – Part 1 – Summary of Transactions With Providers | 23 | Schedule DB – Part B – Section 2 | E21 |
| Exhibit 7 – Part 2 – Summary of Transactions With Intermediaries | 23 | Schedule DB – Part B – Verification Between Years | SI11 |
| Exhibit 8 – Furniture, Equipment and Supplies Owned | 24 | Schedule DB – Part C – Section 1 | SI12 |
| Exhibit of Capital Gains (Losses) | 15 | Schedule DB – Part C – Section 2 | SI13 |
| Exhibit of Net Investment Income | 15 | Schedule DB – Part D | E22 |
| Exhibit of Nonadmitted Assets | 16 | Schedule DB – Verification | SI14 |
| Exhibit of Premiums, Enrollment and Utilization (State Page) | 29 | Schedule DL – Part 1 | E23 |
| Five-Year Historical Data | 28 | Schedule DL – Part 2 | E24 |
| General Interrogatories | 26 | Schedule E – Part 1 – Cash | E25 |
| Jurat Page | 1 | Schedule E – Part 2 – Cash Equivalents | E26 |
| Liabilities, Capital and Surplus | 3 | Schedule E – Part 3 – Special Deposits | E27 |
| Notes To Financial Statements | 25 | Schedule E – Verification Between Years | SI15 |
| Overflow Page For Write-ins | 44 | Schedule S – Part 1 – Section 2 | 30 |
| Schedule A – Part 1 | E01 | Schedule S – Part 2 | 31 |
| Schedule A – Part 2 | E02 | Schedule S – Part 3 – Section 2 | 32 |
| Schedule A – Part 3 | E03 | Schedule S – Part 4 | 33 |
| Schedule A – Verification Between Years | SI02 | Schedule S – Part 5 | 34 |
| Schedule B – Part 1 | E04 | Schedule S – Part 6 | 36 |
| Schedule B – Part 2 | E05 | Schedule S – Part 7 | 37 |
| Schedule B – Part 3 | E06 | Schedule T – Part 2 – Interstate Compact | 38 |
| Schedule B – Verification Between Years | SI02 | Schedule T – Premiums and Other Considerations | 39 |
| Schedule BA – Part 1 | E07 | Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group | 40 |
| Schedule BA – Part 2 | E08 | Schedule Y – Part 1A – Detail of Insurance Holding Company System | 41 |
| Schedule BA – Part 3 | E09 | Schedule Y – Part 2 – Summary of Insurer’s Transactions With Any Affiliates | 42 |
| Schedule BA – Verification Between Years | SI03 | Statement of Revenue and Expenses | 4 |
| Schedule D – Part 1 | E10 | Summary Investment Schedule | SI01 |
| Schedule D – Part 1A – Section 1 | SI05 | Supplemental Exhibits and Schedules Interrogatories | 43 |
| Schedule D – Part 1A – Section 2 | SI08 | Underwriting and Investment Exhibit – Part 1 | 8 |
| Schedule D – Part 2 – Section 1 | E11 | Underwriting and Investment Exhibit – Part 2 | 9 |
| Schedule D – Part 2 – Section 2 | E12 | Underwriting and Investment Exhibit – Part 2A | 10 |
| Schedule D – Part 3 | E13 | Underwriting and Investment Exhibit – Part 2B | 11 |
| Schedule D – Part 4 | E14 | Underwriting and Investment Exhibit – Part 2C | 12 |
| Schedule D – Part 5 | E15 | Underwriting and Investment Exhibit – Part 2D | 13 |
| Schedule D – Part 6 – Section 1 | E16 | Underwriting and Investment Exhibit – Part 3 | 14 |